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DEPARTMENT OF TREASURY  
LANSING

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**TO:** Participating Schools and Lenders

**FROM:** Diane Todd Sprague, Director 

**DATE:** October 18, 2007

**SUBJECT:** Educational Loan Notes

**PRESIDENT BUSH SIGNS COLLEGE COST REDUCTION AND ACCESS ACT**

On September 27, President Bush signed into law the College Cost Reduction and Access Act of 2007. The following is a list of major changes within the law:

**Pell Grants:** Increases funding for Pell Grants by \$11.4 billion over the next five years. Pell Grants will increase by \$1,090 over the next five years, reaching \$5,400 by 2012.

**Stafford loan rates:** Reduces the interest rate on subsidized Stafford loans by half over four years. Fixed interest rates on subsidized Stafford loans to undergraduates will decline from the current 6.8 percent to six percent for loans disbursed on or after July 1, 2008, to 5.6 percent for loans disbursed on or after July 1, 2009, to 4.5 percent for loans disbursed on or after July 1, 2010, and to 3.4 percent for loans disbursed on or after July 1, 2011. On July 1, 2012, the rate will revert to 6.8 percent unless Congress intervenes.

The rate cut applies only to new subsidized Stafford loans, not ones that students have already received. It does not apply to unsubsidized Stafford loans, which students are entitled to regardless of financial need.

**Military Deferment** - Removes the current three-year limit. There is no longer a limit to this deferment.

**Income-based repayment:** Starting July 1, 2009, borrowers will not have to devote more than 15 percent of their discretionary income to repaying Stafford student loans. This applies to both subsidized and unsubsidized Stafford loans, regardless of when the loans were taken out.

If a borrower is making reduced payments on a subsidized loan, the government will pay the unpaid amount for up to three years. After that, the unpaid amount will be added to the loan balance.



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For unsubsidized loans, all unpaid amounts will be added to the balance.

After 25 years, all borrowers who are in this income-based repayment program will have any remaining balances forgiven.

**Teacher tuition assistance:** Undergraduate and graduate students who commit to teaching certain subjects, such as science and math, in low-income public schools for at least four years can receive up to \$4,000 per year – for a total of \$16,000 in tuition assistance. Students must maintain at least a 3.25 grade point average to be eligible for this program, which will start next year. If students do not fulfill the teaching obligation, the assistance becomes a loan they must repay.

**Loan forgiveness:** Borrowers who work full-time in other public sector jobs such as the military, law enforcement, firefighting, nursing, public defenders, government, librarians, and early childhood teachers can have any balance on their student loans forgiven after ten years of service and loan repayment. To take advantage of this program, borrowers must have Federal Direct student loans or consolidate their loans under the Federal Direct Loan Program.

**PLUS loan auction:** Starting in 2009 the government will auction the right to offer PLUS loans to parents. In each state, the two lenders bidding the lowest rates of special allowance will win the exclusive right to make PLUS loans for the next two years.

Today, all qualified lenders may offer PLUS loans and parents may choose any lender they wish. This change will not affect the interest rate parents pay on PLUS loans, but it will limit their selection.

The auction process will not apply to Stafford loans nor to PLUS loans offered to graduate students.

**Lender changes:** Beginning with loans disbursed October 1, 2007, lender special allowance rates on Stafford loans have been reduced by 55 basis points and on PLUS loans by 85 basis points for for-profit lenders, and by 40 basis points on Stafford loans and 70 basis points on PLUS loans for nonprofit lenders.

Effective October 1, 2007, the Exceptional Performer designation, which permits higher rates of loan insurance to certain lenders, is eliminated. Lenders formerly with the designation can complete the remainder of the year for which the designation was made, however.

The rate of insurance to lenders will be cut to 95 percent beginning in Fiscal Year 2013.

The lender-paid origination fee has increased to one percent from the previous 0.5 percent, effective for loans disbursed beginning October 1, 2007.

### **Federal Methodology Changes**

The new law also creates federal methodology changes. The changes included in this portion of the law are effective on July 1, 2009.

**Income Protection Allowance:** Beginning with the 2009-10 award year, the new law provides for scheduled increases in the income protection allowance (IPA) for dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse. The law specifies IPA amounts through the 2012-2013 award year. For each academic year after 2012-2013, student IPAs will increase relative to the Consumer Price Index (CPI). Although no changes were made to IPA amounts for the parents of dependent students, a CPI-based updating method for parent IPAs is included for each academic year after 2008-09.

**Simplified Needs Tests:** Several changes to the simplified needs test (SNT) and automatic zero (auto zero) calculation formulas are effective beginning with the 2009-10 award year.

The modifications to the simplified needs test specify that:

- A dependent student is eligible for the SNT if one of the student's parents is a dislocated worker;
- An independent student is eligible for the SNT if the student (or spouse) is a dislocated worker; and

*(Continued on the next page.)*

- The time frame during which an individual may have received means-tested federal benefits to establish eligibility for the SNT is extended from 12 to 24 months. This applies to both dependent and independent students.

“Dislocated worker” is defined in section 101 of the Workforce Investment Act of 1998.

The same changes (addition of dislocated worker criterion and increase to 24 months) are made for the automatic zero calculation. In addition, the maximum qualifying income level for the auto zero Expected Family Contribution (EFC) formula is increased from \$20,000 to \$30,000. The Secretary of Education is required to update this figure annually according to increases in the Consumer Price Index.

**Professional Judgment:** Effective on July 1, 2009, financial aid administrators are given additional guidance under the authority commonly referred to as “professional judgment.” The law makes three changes to the items listed in the law as examples of special circumstances that may warrant an adjustment in the calculation of an expected family contribution. These changes add the following items to examples of special circumstances:

- An independent student's loss of employment;
- A family member who is a dislocated worker; and
- A change in the student's housing status that results in homelessness.

**Definition changes:** The law makes changes to the definition of total income, untaxed income and benefits, the independent student definition, excludable income, includable assets, and other financial assistance for the period beginning July 1, 2009. Each of these items is described below.

- “Total income” is amended to exclude distributions from qualified education benefits that are not subject to Federal income tax.
- The revised definition of untaxed income and benefits removes from consideration welfare benefits, the amount of the earned

income tax credit, the credit for Federal tax on special fuels, the amount of foreign income excluded from Federal income taxes, and untaxed social security benefits. The amount of additional child tax credit claimed for Federal income tax purposes is specifically excluded.

- The independent student definition is modified to include students in foster care, emancipated minors or those in legal guardianship (as determined by the relevant state court), and students who are verified by a specified individual as an unaccompanied youth who is a homeless child or youth or as unaccompanied, at risk of homelessness, and self-supporting.
- Language has been added to the independent student definition to simplify the dependency override process. The new language specifies that a financial aid administrator may make a determination of independence based on a documented determination made – in the same award year – by another financial aid administrator.
- The term “excludable income” is expanded to include special combat pay, defined as pay received by a member of the Armed Forces because of exposure to a hazardous situation.
- The definition of assets is changed to state that a qualified education benefit is an asset of the parent if the student is a dependent student (regardless of whether the owner of the account is the student or the parent) or the student if the student is independent.
- The term “other financial assistance” is clarified to exclude distributions (that are not includable in gross income) from 529 plans, other state prepaid tuition plans, or Coverdell education savings accounts.
- Special combat pay is specifically excluded from estimated financial assistance for purposes of determining financial need.

### **COHORT DEFAULT RATES: NATIONAL AND MICHIGAN SCHOOLS**

In September, the U.S. Department of Education (ED) released the 2005 Cohort Default Rates (CDR). The national CDR is 4.6 percent, a decrease of 0.5 percent. The CDR for all the schools in the state of Michigan is 3.9 percent.

The Michigan Guaranty Agency (MGA) has issued Certificates of Achievement to those schools that reduced their CDR by two percent from their 2004 CDR. Certificates of Achievement were also sent to schools that have had a CDR of less than ten percent for the last three consecutive years. Award of Excellence certificates were sent to schools that have had a CDR below five percent for the last three consecutive years.

Attached to this issue of *Educational Loan Notes* is a comparison of the national cohort default rates for the past three fiscal years broken down by school sector. A comparison of Michigan schools' cohort default rates for the past three years is also attached.

### **2007 FALL SCHOOL UPDATE WORKSHOP**

In September, MGA queried schools as to alternate workshop formats, and the results have been tabulated. The vast majority of you voted in favor of a half-day workshop, if necessary, over an online webinar. So presently, for this fall we are planning a half-day workshop November 13 in Grand Rapids at Tassel M-TECH and November 14 at Schoolcraft College's VisTaTech Center in Livonia. We are also looking into providing an online webinar for those schools unable to attend either of the workshop dates. More information concerning the webinar will be available in the near future.

The following topics will be covered:

- **Federal update:** What do the changes in budget reconciliation and reauthorization bills mean for your institution, its students, and parents? In this session you will receive an analysis of the current legislation and the latest information about the status of reauthorization and other

legislation, as well as an update on the 2008-2009 application and delivery system.

- **Satisfactory academic progress:** Ever wonder whether your Satisfactory Academic Progress policy meets all the necessary requirements? Bring a copy of your SAP policy to review while we cover not only the basic requirements, but also spend time discussing SAP appeals and awarding issues, as well as legal and ethical issues.
- **FFELP issues:** This session will provide a brief overview of loan basics before exploring the implications of using a Scheduled Academic Year or Borrower-based Academic Year. In addition, you will learn about loan proration and apply your knowledge to case studies to determine whether to prorate loans. Additional reference material will be provided for use in your office.
- **Professional judgment:** This interactive session incorporates a variety of realistic case studies that will engage you in discussions with your colleagues. You will discuss the dos and don'ts of making professional judgment decisions and adjustments, ethical considerations, suggested documentation, and what needs to be included in your policies and procedures.

The meeting sites are handicapped accessible, including parking. Individuals with disabilities who need mobility, visual, hearing, and/or other assistance for effective participation should indicate such needs when registering. All such requests should be directed to Flora Boles at 1-800-642-5626, extension 52882, at least ten days before the workshop. Requests received after that time cannot be guaranteed.

The workshop announcement will soon be sent electronically with a complete agenda and registration form. If you have questions or suggestions to include in the workshops, please feel free to contact Flora Boles at extension 52882 or via email at [bolesf@michigan.gov](mailto:bolesf@michigan.gov).

### **CONVENIENCE OF IVR SYSTEM BENEFITS BORROWERS**

The Interactive Voice Response (IVR) system was introduced in 2005 to provide defaulted borrowers extended hours for the convenience of obtaining account information, requesting forms or paperwork, and provide the ability to make a payment through a “check by phone” or “credit card by phone” transaction. As borrowers have discovered this convenient payment method, they have increasingly taken advantage of this option.

Over the two-year period from October 2005 to October 2007, credit card payments made through the IVR have increased by 22 percent to equal 55 percent of total “credit card by phone” payments. During this same period, check payments made through the IVR have increased by 16 percent to tally 58 percent of all “check by phone” payments. Total payments made through the IVR now account for about 6.5 percent of the total payments received by MGA when including check and credit card payments taken by an account representative, recurring electronic payments, and paper checks received in the mail.

The ability for borrowers to make these payments on the weekend, on an evening when they sit down to pay their bills, or when they are on the road eliminates the need to wait on the telephone to talk to a representative directly, get an envelope and a stamp, or to put it in a mailbox.

The IVR system is available to assist callers from 7:30 a.m. until 9:00 p.m. Monday through Friday, and 9:00 a.m. until 1:00 p.m. on Saturday. Borrowers wishing to make a payment by check or credit card via the IVR system may call 1-800-MGA-LOAN (1-800-642-5626) and follow the prompts to complete their transaction.

### **NCHelp ELECTRONIC STANDARDS COMMITTEE SCHOOL ADVISORY GROUP AND METEOR USER GROUP MEETING**

Users of the standards supported by the National Council of Higher Education Loan Program (NCHelp) Electronic Standards Committee and of the Meteor software will convene to discuss the latest release of the Meteor software and how the software is being used for debt management and to supplement online exit counseling services.

Attendees will receive an update on Common Record: CommonLine, including successful implementations, and an update on open items that the team is working on with Federal Student Aid's (FSA) National Student Loan Data System (NSLDS) staff. Schools not currently utilizing the software and services are also encouraged to attend.

The user group meetings will be held in conjunction with the upcoming FSA conferences in New Orleans on October 30<sup>th</sup> at 5:00 p.m. in the Napoleon B1/C1 room and in San Diego on November 26<sup>th</sup> at 5:00 p.m. in the Edward room. Please RSVP to [rsvp@nchelp.org](mailto:rsvp@nchelp.org) by October 24<sup>th</sup> for the New Orleans conference and by November 20<sup>th</sup> for the San Diego conference (be sure to mention which conference you plan to attend).

#### **Agenda:**

- Meteor v3.3 – Project Update
  - Review of usability enhancements
  - LoanLocator for borrowers
  - Sample screens
- Meteor - Helping you help your students
  - Usage statistics
  - Customizations for exit counseling
  - Using Meteor as a debt management tool
    1. Direct to consumer debt
    2. PLUS loan auctions
- Open discussion and user feedback
- General update from the NCHelp Electronic Standards Committee
- CommonRecord: CommonLine
  - Successful implementations
  - Implementations in process
- Review of open NSLDS items
- Open discussion

For more information on the Meteor Project, please visit [www.MeteorNetwork.org](http://www.MeteorNetwork.org) or [www.NCHelp.org/Meteor.htm](http://www.NCHelp.org/Meteor.htm). For questions regarding the upcoming user group meetings, contact Tim Cameron, Meteor Project Manager, at (954) 565-7229 or at [meteor@nchelp.org](mailto:meteor@nchelp.org).





### SPECIAL ALLOWANCE RATES

The new special allowance rates have been released by the Office of Federal Student Aid. The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending September 30, 2007, is **4.51** percent. The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending September 30, 2007, is **5.39** percent.

Attached to this issue of *Educational Loan Notes* are [charts](#) detailing the regular special allowance rates, special allowance rates for tax-exempt loans, and special allowance rates based on commercial paper rates for the quarter ending September 30, 2007. Refer to the FSA [memo](#) attachments at <http://ifap.ed.gov/ffelspeccrates/SAPmemo10032007.html> for additional details regarding the special allowance rates, including formulas used to determine each rate.

If you have questions, please contact Pat Fromm at [frommp@michigan.gov](mailto:frommp@michigan.gov) or at extension 36076.

### REMINDER – USE NEW CONSOLIDATION APPLICATION

Lenders and lender servicers are reminded that beginning October 1, 2007, only the new version of the [Federal Consolidation Loan Application and Promissory Note](#) may be provided to borrowers. An updated addendum to the application is not yet available; therefore, you do not need to provide an addendum with the updated application at this time. ED and NCHELP's forms subcommittee are working to finalize an updated version of the form's addendum.

Lenders and lender servicers may still process any consolidation applications they receive from borrowers that were completed using the previous version of the form.

### THE “ED” PIPELINE

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

**Dear Partner**  
**September 2007**  
[ANN-07-18](#)

This letter announces the availability of Federal Student Aid's taped training session on using the ISIR Analysis Tool. This class is presented for beginners at any school and is about one hour long.

**Dear Partner**  
**September 2007**  
[GEN-07-05](#)

FSA has been notified that outside entities, including student lending organizations, have contacted institutions and have requested student, or former student, information under either the Federal Freedom of Information Act (FOIA), 5 U.S.C. §552, or under a state freedom of information law. This letter clarifies whether institutions must comply with these requests.

**Dear Partner**  
**September 2007**  
[GEN-07-06](#)

This letter provides a revised list of academic majors eligible for the National SMART Grants for the 2007-2008 award year.

**Dear Partner**  
**September 2007**  
[FP-07-09](#)

This letter provides additional guidance to guaranty agencies for evaluating applications for FFELP false certification loan discharges based upon a borrower's claim that an institution did not properly determine the borrower's ability-to-benefit.



**LENDER LIST UPDATES**

School personnel continuing to use their paper copy of MGA's "Participating Lender List" should record the following actions on the list dated May 4, 2007. Please make the appropriate changes in all sections of the list as needed.

To access the most current lender information and eliminate the need for manual updates, use the electronic version of MGA's "Participating Lender List" available at [mgaloan.com](http://mgaloan.com). From the MGA Quick List, click on the Forms/Documents dropdown menu to link to the Participating Lender List.

If you have any questions regarding these updates, please contact Pat Fromm at extension 36076 or via email at [frommp@michigan.gov](mailto:frommp@michigan.gov).

**CORRECTION**

**Deutsche Bank Trust ELT for College Loan Corp, 833923**, has not changed its name to College Loan Corp BONY Trust Co ELT as was reported in September.

**Newly Participating Lenders**

**Ardent Financial U.S. Bank N.A. as ELT, 834368**, c/o ACS, 2277 East 220th Street, Long Beach, CA 90810-1690.

**U.S. Bank, N.A. ATF StudentLoans.com, 833962**, c/o BHESC, P.O. Box 14445, Austin, TX 78761-4445

**Lender Name Changes**

**Charter One Bank, N.A., 808140**, has changed its name to RBS Citizens, N.A. dba Charter One.

**Citizens Bank, N.A., 807745**, has changed its name to RBS Citizens, N.A.

**ColLEDGE, 833487**, has changed its name to The Bank of New York Trust Co., N.A.

**Address Change**

**Chase-JPMorgan Chase Bank, N.A., 803000**, has a new mailing address due to an address change at their servicer, Chase Student Loan Servicing, 700194. The new address is c/o Chase

Student Loan Servicing, P.O. Box 523, Madison, MS 39130-0523. The street address is c/o Chase Student Loan Servicing, 384 Galleria Parkway, Madison, MS 39110. The telephone number has not changed.

**No Longer Participating**

**Bony ELT College Board, 834322**, is no longer participating in FFELP.

**College Board, 830310**, is no longer participating in FFELP.

**SCHOOL LIST UPDATES**

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated July 27, 2007. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074 or via email at [cardwells@michigan.gov](mailto:cardwells@michigan.gov).

**Contact Information Update**

**Ross Medical Education Center, Roosevelt Park, 020997-00**

Amy Tavares is the new Financial Aid Officer. Amy's telephone number is 231-739-1531, fax number is 231-739-7456, and email address is [fa.rooseveltpark@rosslearning.com](mailto:fa.rooseveltpark@rosslearning.com)

**Wayne County Community College, Detroit, ADMIN**

The main contact is Marcus McGrew, Interim Financial Aid Director. Marcus' telephone number is 313-496-2633, fax number is 313-963-8568, and email address is [mmcgrew1@wcccd.edu](mailto:mmcgrew1@wcccd.edu).

**Address Change**

**Ross Medical Education Center, Flint, 020997-00**

Delete 1036 Gilbert, Flint, 48532. The new address is G-3630 Miller Road, Suite D, Flint, MI 48507.



### “Q” AND “A”

**When a financial aid administrator knows that a student’s parent is not going to be eligible for a PLUS loan, what does the school do?**

It is best to allow the lender to make the decision regarding the parent’s credit status. In the case of an adverse credit determination for a PLUS loan, the lender will provide the necessary notice of denied credit. However, under certain circumstances, FFELP rules permit the school to certify additional unsubsidized Stafford funds without having first obtained a lender notice of credit denial for the parent.

**In what circumstances may the school make a determination to certify additional unsubsidized Stafford loan funds without first obtaining a lender’s credit denial?**

These circumstances include knowing that the dependent student’s parent is incarcerated, or if the whereabouts of the parent are unknown. Another instance would be knowledge of the student’s family income being limited to public assistance or disability benefits with resulting inability to provide the Expected Family Contribution. Occasionally, the dependent student’s parent is prohibited from borrowing a PLUS loan because the parent is not a U.S. citizen or eligible non-citizen.

Another situation occurs when the dependent student’s parent has filed a bankruptcy petition and provided the school with an official letter from the bankruptcy court confirming that the parent filed for bankruptcy and is prohibited from incurring additional debt. Additionally, a dependent student’s parent would be prohibited from borrowing a PLUS loan because that parent is in default on a federal Title IV loan.

**What documentation must the school obtain in these circumstances?**

Because each situation is unique, it is not possible to define a standard for documentation to support the school’s decision. It is best for the financial aid office to obtain the information from the student or parent regarding their circumstances. This documentation and the school’s decision regarding the extenuating circumstances should be retained in the student’s file.





# Calendar of Upcoming Events

## October 2007

- 18 Mapping Your Future  
Advanced OSLC Online Training
- 30 Mapping Your Future  
Advanced OSLC Online Training
- 30-Nov 2 Federal Student Aid Conference  
(formerly known as EAC)  
Sheraton New Orleans  
New Orleans, Louisiana

## November 2007

- 12 MGA Offices Closed
- 13 Fall School Workshop  
Grand Rapids Community College  
Tassell M-TECH  
Grand Rapids, Michigan
- 14 Fall School Workshop  
Schoolcraft College  
VisTaTech Center  
Livonia, Michigan
- 15 Mapping Your Future  
Beginner OSLC Online Training
- 22-23 MGA Offices Closed
- 26-29 Federal Student Aid Conference  
(formerly known as EAC)  
Manchester Grand Hyatt San Diego  
San Diego, California

## December 2007

- 24-25 MGA Offices Closed
- 31 MGA Offices Closed

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).

## Direct Loan and Federal Family Education Loan Programs

### Institutional Default Rate Comparison of FY 2003, 2004, and 2005 Cohort Default Rates

*Note: These rates are accurate as of September 10, 2007.*

	FY 2003				FY 2004				FY 2005			
<b>Institution Type</b>	# of Schools	Borrower Default Rate	# of Borrowers Defaulted	# of Borrowers Entered Repayment	# of Schools	Borrower Default Rate	# of Borrowers Defaulted	# of Borrowers Entered Repayment	# of Schools	Borrower Default Rate	# of Borrowers Defaulted	# of Borrowers Entered Repayment
<b>Public</b>	1,663	4.3%	59,460	1,356,086	1,647	4.7%	70,864	1,488,978	1,622	4.3%	78,040	1,803,195
Less than 2 yrs	159	5.8%	359	6,182	153	5.7%	390	6,808	145	5.2%	398	7,567
2-3 yrs	895	7.6%	25,259	328,730	889	8.1%	31,476	386,474	869	7.9%	36,717	463,007
4yrs(+)	609	3.3%	33,842	1,021,174	605	3.5%	38,998	1,095,696	608	3.0%	40,925	1,332,621
<b>Private</b>	1,812	2.8%	19,523	695,576	1,790	3.0%	22,434	741,372	1,771	2.4%	23,411	950,819
Less than 2 yrs	55	7.9%	265	3,326	55	9.0%	353	3,881	52	9.0%	401	4,434
2-3 yrs	247	6.3%	1,477	23,160	233	7.4%	1,526	20,539	220	6.7%	1,467	21,819
4yrs(+)	1,510	2.6%	17,781	669,090	1,502	2.8%	20,555	716,952	1,499	2.3%	21,543	924,566
<b>Proprietary</b>	1,950	7.3%	36,477	493,895	1,963	8.6%	50,729	588,432	1,906	8.2%	60,379	730,385
Less than 2 yrs	1,054	7.9%	9,302	117,166	1,046	8.9%	11,755	130,810	974	8.9%	12,737	141,953
2-3 yrs	688	8.0%	14,469	179,553	697	9.9%	20,346	205,000	690	9.3%	22,500	240,545
4 yrs(+)	208	6.4%	12,706	197,176	220	7.3%	18,628	252,622	242	7.2%	25,142	347,887
<b>Foreign</b>	411	1.8%	108	5,844	434	1.5%	100	6,662	457	1.0%	121	11,156
<b>Unclassified</b>	1	0.0%	0	31	2	5.5%	1	18	1	0.0%	0	29
<b>Total</b>	5,837	4.5%	115,568	2,551,432	5,836	5.1%	144,128	2,825,462	5,757	4.6%	161,951	3,495,584

(Source: U.S. Department of Education, Federal Student Aid.)

This table reflects all borrowers who entered repayment during the given fiscal year as reported to the National Student Loan Data System (NSLDS). Some of these borrowers attended schools that are no longer eligible for Title IV program participation. The information provided is limited to schools that, at the time of the most recent calculation, were eligible for participation in the Title IV programs.

**All State of Michigan Schools**  
**Cohort Default Rates**  
**Years 2005, 2004, and 2003**

Type	Number of Schools	Number of Defaulted Borrowers	Number of Borrowers Entering Repayment	Cohort Default Rate 2005	Cohort Default Rate 2004	Cohort Default Rate 2003
Public 4 -Year	15	1,299	55,095	2.4%	2.6%	2.5%
Public 2 - Year	27	1,037	15,839	6.5%	6.9%	5.8%
Private 4 - Year	40	1,229	33,552	3.7%	4.2%	4.4%
Proprietary	27	978	10,709	9.1%	8.9%	5.0%
<b>Totals</b>	<b>109</b>	<b>4,543</b>	<b>115,195</b>	<b>3.9%</b>	<b>4.2%</b>	<b>3.7%</b>

9/11/2007

# Special Allowance Rates for the Quarter Ending September 30, 2007

The average of the bond equivalent rates of the 91-Day Treasury Bills auctioned during the quarter ending September 30, 2007, is 4.51%. Loans from the following categories are eligible for special allowance as shown for this quarter.

For loans made prior to 10/01/81:		
Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.01125	.002813
9%	.00000	.000000
<b>For:</b> <div> <div> <b>Stafford</b> <ul style="list-style-type: none"> <li>Subsidized loans made on or after 10/01/81 but prior to 10/17/86.</li> <li>Subsidized loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning prior to 11/16/86.</li> </ul> </div> <div> <b>PLUS</b> <ul style="list-style-type: none"> <li>Fixed-rate loans made on or after 10/01/81 but prior to 10/17/86.</li> <li>Fixed-rate loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning prior to 11/16/86.</li> </ul> </div> <div> <b>Consolidation</b> <ul style="list-style-type: none"> <li>Loans made on or after 10/01/81 but prior to 11/16/86.</li> </ul> </div> </div>		
Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.0101	.002525
8%	.0001	.000025
9%	.0000	.000000
12%	.0000	.000000
14%	.0000	.000000
<b>For:</b> <div> <div> <b>Stafford</b> <ul style="list-style-type: none"> <li>Subsidized loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning on or after 11/16/86.</li> <li>Subsidized loans made on or after 11/16/86 but prior to 10/01/92.</li> <li>Unsubsidized loans (made pursuant to §428H of the HEA) made prior to 10/1/92 for periods of enrollment beginning on or after 10/1/92.</li> </ul> </div> <div> <b>PLUS/SLS</b> <ul style="list-style-type: none"> <li>Fixed-rate loans made on or after 10/17/86 but prior to 11/16/86 for enrollment periods beginning on or after 11/16/86.</li> <li>Fixed-rate loans made on or after 11/16/86 but prior to 07/01/87.</li> <li>Variable-rate loans made on or after 07/01/87 but prior to 10/01/92 <i>only</i> if the variable rate for each July 1-June 30 period reaches the statutory maximum of 12%.</li> </ul> </div> <div> <b>Consolidation</b> <ul style="list-style-type: none"> <li>Loans made on or after 11/16/86 but prior to 10/01/92.</li> </ul> </div> </div>		
Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7% <sup>1</sup>	.0076	.001900
8% <sup>2</sup>	.0000	.000000
8.02% <sup>3</sup>	.0000	.000000
8.17% <sup>4</sup>	.0000	.000000
9%	.0000	.000000
10%	.0000	.000000
11%	.0000	.000000
12%	.0000	.000000
13%	.0000	.000000
14%	.0000	.000000
<b>Also included for the period 07/01/07 – 06/30/08 (Fixed-rate Stafford loans that were subject to the “windfall profits” provisions of 427A(i)(3) or 472A (i)(1) of the HEA and that have been converted to a variable rate):</b>		
<sup>1</sup> Fixed-rate 7% Stafford loans (1992 Amendments). <sup>2</sup> (a) Fixed-rate 8% Stafford loans and (b) 8/10% Stafford loans prior to the 49 <sup>th</sup> month of repayment (1992 Amendments). <sup>3</sup> (a) Fixed-rate 9% Stafford loans and (b) 8/10% Stafford loans on or after the 49 <sup>th</sup> month of repayment (1992 Amendments). <sup>4</sup> Fixed-rate 8/10% Stafford loans on or after the 49 <sup>th</sup> month of repayment (1986 Amendments).		
<b>See 427A(i)(7)(D) of the Higher Education Act of 1965, as Amended (HEA)</b>		



For:	Stafford	PLUS/SLS	Consolidation
	<ul style="list-style-type: none"> <li>Subsidized loans made on or after 10/01/92 but prior to 07/01/95.</li> <li>Unsubsidized loans made on or after 10/01/92 but prior to 07/01/95 for periods of enrollment beginning on or after 10/01/92.</li> <li>Subsidized and unsubsidized loans made on or after 07/01/95 but prior to 07/01/98 <i>except</i> during in-school, grace, and deferment periods.</li> </ul>	<ul style="list-style-type: none"> <li>Variable-rate loans made on or after 10/01/92 but prior to 07/01/94 <i>only</i> if the variable rate for each July 1-June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).</li> <li>Variable-rate PLUS loans made on or after 07/01/94 but prior to 07/01/98.</li> <li>Variable-rate PLUS loans made on or after 07/01/98 but prior to 01/01/00. NOTE: Special allowance will not be paid unless the calculated interest rate exceeds the 9% cap.</li> </ul>	<ul style="list-style-type: none"> <li>Loans made on or after 10/01/92 but prior to 10/01/98.</li> </ul>

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6% <sup>5</sup>	.0161	.004025
7% <sup>6</sup>	.0061	.001525
8% <sup>7</sup>	.0000	.000000
8.02% <sup>8,9</sup>	.0000	.000000
8.05% <sup>10</sup>	.0000	.000000
9%	.0000	.000000
10%	.0000	.000000
11%	.0000	.000000
12%	.0000	.000000
13%	.0000	.000000
14%	.0000	.000000

<sup>5</sup> The 6% interest and special allowance rates *only* apply to consolidation loans made on or after 07/01/94 with tax-exempt funds; the 10%, 11%, 13%, and 14% interest and special allowance rates *only* apply to consolidation loans made with tax-exempt funds.

<sup>6</sup> Fixed-rate 7% Stafford loans (1992 Amendments).

<sup>7</sup> (a) Fixed-rate 8% Stafford loans and (b) 8/10% Stafford loans (prior to the 49<sup>th</sup> month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate (1992 Amendments).

**Also included for the period 07/01/07 – 06/30/08 (Fixed-rate Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate):**

<sup>8</sup> (a) All Stafford loans made for periods of enrollment that either begin on/after 07/01/94 or include that date for which the first disbursement is made on/after 07/01/94 but prior to 07/01/95, (b) Stafford loans for which the first disbursement is made on/after 07/01/95 and before 07/01/98, *except during in-school, grace, and deferment periods*, and (c) consolidation loans for which the loan application was received on/after 11/13/97 and prior to 10/01/98.

<sup>9</sup> (a) Stafford loans, made to new borrowers, for which the first disbursement is made on/after 10/01/92 but prior to 07/01/94, (b) Fixed-rate 9% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate (see 427A(i)(7)(D) of the HEA), and (c) 8/10% Stafford loans (on/after the 49<sup>th</sup> month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate (1992 Amendments).

<sup>10</sup> PLUS loans made on/after 07/01/94 but prior to 07/01/98.

**For: Stafford loans (subsidized and unsubsidized) made on/after 07/01/95 but prior to 07/01/98, *only* during in-school, grace, and deferment periods :**

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.42%	.0000	.000000

**For: Stafford loans (subsidized and unsubsidized) made on/after 07/01/98 but prior to 01/01/00 *only* during in-school, grace, and deferment periods:**

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.62%	.0009	.000225

**For: Stafford loans (subsidized and unsubsidized) made on/after 07/01/98 but prior to 01/01/00 *except* during in-school, grace, and deferment periods:**

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.22%	.0009	.000225

**For: Consolidation loans made on or after 10/01/98 but prior to 01/01/00:**

**Formula: (4.51%) plus (3.1%) less (applicable interest rate) = special allowance rate**

NOTE: The interest rate for these consolidation loans is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8<sup>th</sup> of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

## Special Allowance Rates for Tax-Exempt Loans for the Quarter Ending September 30, 2007

The following special allowance rates are for loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing of obligations originally issued prior to 10/01/93, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

### For tax-exempt loans, otherwise eligible for special allowance, made on/after 10/01/80 but prior to 10/01/81:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.025	.00625
9%	.005	.00125

### For tax-exempt loans, otherwise eligible for special allowance, made on/after 10/01/81:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.00% <sup>11</sup>	.0350	.008750
6.62% <sup>12</sup>	.0288	.007200
6.80% <sup>13</sup>	.0270	.006750
7% <sup>14</sup>	.0250	.006250
7.22% <sup>15</sup>	.0228	.005700
7.42% <sup>16</sup>	.0208	.005200
8% <sup>17</sup>	.015	.003750
8.02% <sup>18, 19</sup>	.0148	.003700
8.05% <sup>20</sup>	.0145	.003625
8.17% <sup>21</sup>	.0133	.003325
8.50% <sup>22</sup>	.010	.002500
9%	.005	.001250
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

### For the period 07/01/07-06/30/08:

<sup>11</sup> The 6% interest rates and special allowance rates *only* apply to consolidation loans made on/after 07/01/94 with tax-exempt funds; the 10%, 11%, 13% and 14% interest and special allowance rates *only* apply to consolidation loans made with tax-exempt funds.

<sup>12</sup> Stafford loans made on/after 7/1/98 but prior to 7/1/06, *only* during in-school, grace, and deferment periods.

<sup>13</sup> Fixed-rate Stafford loans made on/after 7/1/06.

<sup>14</sup> Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate.

<sup>15</sup> Stafford loans made on/after 7/1/98 but prior to 7/1/06, *except* during the in-school, grace and deferment periods.

<sup>16</sup> Stafford loans for which the first disbursement is made on/after 7/1/95 and before 7/1/98, *only* during in-school, grace, and deferment periods.

<sup>17</sup> Fixed-rate 8% Stafford loans and 8/10% Stafford loans (prior to the 49<sup>th</sup> month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate. Also, see 427A(i)(7)(D) of the HEA. (1992 Amendments)

<sup>18</sup> (a) Fixed-rate 9% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate; see 427A(i)(7)(D) of the HEA, (b) 8/10% Stafford loans (on/after the 49<sup>th</sup> month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the HEA and that have been converted to a variable rate, and (c) Stafford loans, made to new borrowers, for which the first disbursement is made on/after 10/1/92 but prior to 07/01/94. (1992 Amendments).

<sup>19</sup> (a) *All* Stafford loans made for periods of enrollment that either begin on/after 7/1/94 or include that date, for which the first disbursement is made on/after 7/1/94 but prior to 7/1/95, (b) Stafford loans for which the first disbursement is made on/after 7/1/95 and before 7/1/98, *except during in-school, grace, and deferment periods*, and (c) all PLUS loans made on/after 1/1/00 but prior to 7/1/06.

<sup>20</sup> PLUS loans made on/after 7/1/94 but prior to 7/1/98.

<sup>21</sup> Fixed-rate 8/10% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(1) of the Act and that have been converted to a variable rate; see 427A(i)(7)(D) of the HEA (1986 Amendments).

<sup>22</sup> Fixed-rate PLUS loans made on/after 7/1/06.

**Special Allowance Rates**  
**Based on Commercial Paper Rates**  
**for the Quarter Ending September 30, 2007**

**For: Stafford**

- Subsidized and unsubsidized loans made on/after 01/01/00 but prior to 04/01/06 *only* during in-school, grace, and deferment periods.
- Subsidized and unsubsidized loans made on/after 04/01/06 *only* during in-school, grace, and deferment periods, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

**Applicable Annual  
Interest Rate**

6.62%  
6.80%<sup>23</sup>

**Special Allowance  
at Annual Rate**

.0051  
.0033

**Special Allowance  
for 3-Month Period**

.001275  
.000825

<sup>23</sup> All Stafford loans made on or after 07/01/06.

**For: Stafford**

- Subsidized and unsubsidized loans made on/after 01/01/00 but prior to 04/01/06 *except* during in-school, grace, and deferment periods.
- Subsidized and unsubsidized loans made on/after 04/01/06 *except* during in-school, grace, and deferment periods, and *which are subject to the repayment of excess interest as required under HERA.*

**Applicable Annual  
Interest Rate**

6.80%<sup>23</sup>  
7.22%

**Special Allowance  
at Annual Rate**

.0093  
.0051

**Special Allowance  
for 3-Month Period**

.002325  
.001275

<sup>23</sup> All Stafford loans made on or after 07/01/06.

**For: PLUS**

- Loans made on/after 01/01/00 but prior to 04/01/06.
- Loans made on/after 04/01/06 and *which are subject to the repayment of excess interest as required under HERA.*

**Applicable Annual  
Interest Rate**

8.02%  
8.50%<sup>24</sup>

**Special Allowance  
at Annual Rate**

.0001  
-.0047

**Special Allowance  
for 3-Month Period**

.000025  
-.001175

<sup>24</sup> All PLUS loans made on or after 07/01/06. Because this formula resulted in an amount less than zero, these loans will not receive special allowance. The rate shown is for the recapture of excess interest.

**For: Consolidation**

- Loan applications received on/after 01/01/00.

**Formula: (5.39%) plus (2.64%) less (applicable interest rate) = annual special allowance rate**

NOTE: The interest rate for these consolidation loans is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8<sup>th</sup> of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.